



Faculty of Economics and Business

**CUSTOMER SATISFICATION IN HOTEL SERVICES INDUSTRY
AT KUCHING AREA**

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**CUSTOMER SATISFACTION IN HOTEL SERVICES INDUSTRY AT KUCHING
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**This project is submitted in partial fulfillment of the requirements for the degree of
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FACULTY OF ECONOMICS AND BUSINESS

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2004

APPROVAL SHEET

This project paper attached hereto, “Customer Satisfaction in Hotel Services Industry at Kuching Area” prepared and submitted by Rani Kalemuthu (7052) in partial fulfillment of the requirements for the degree in Bachelor of Economics and Business with Honours
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ABSTRACT

CUSTOMER SATISFACTION IN THE HOTEL SERVICES INDUSTRY AT KUCHING AREA

By

Rani Kalemuthu

This research elaborates the study of Customer satisfaction in the Hotel Services at Kuching in identifying the important elements of the quality services that can be implemented by the hoteliers in Kuching especially in the three, four and five star hotels. More specifically, it discovers and analyzes the five dimensional elements; Reliability, Responsiveness, Assurances, Empathy, and Tangible in the hotel services influence the Customer Satisfaction level. Through this analysis, the study determines the most significant elements that contribute to Service Quality Excellency. Among the dimensional elements, the empathy place as a dominant contributor of customer satisfaction. Besides, the study also elaborates the factors that serve to customer expectations towards the hotel services. Through the analysis in the elements of the service quality with respect to different customer segments, hotel organizations can develop and sketch marketing strategies to reach the needs of each specific segment more efficiently at the higher service excellency in order to satisfied the customers and remain loyal with the similar hotels the hotel management is likely to be eligible to foresee and cater for their customers' desires and needs.

ABSTRAK

KEPUASAN DI KALANGAN PELANGGAN TERHADAP INDUSTRI PERHOTELAN DI KAWASAN KUCHING

Oleh

Rani Kalemuthu

Kajian ini dijalankan bagi mengenalpasti elemen-elemen penting dalam Service Quality untuk diimplementasikan di industri perhotelan Kuching dalam mencapai kepuasan di kalangan pelanggan perhotelan. Secara spesifiknya, kajian ini bertujuan bagi menganalisis lima elemen penting dalam Service Quality yang menyumbang terhadap kepuasan pelanggan perhotelan di Kuching. Di samping itu, kajian ini juga bertujuan mengesan elemen utama antara kelima-lima elemen tersebut. Melalui analisis data, didapati kelima-lima elemen penting dalam Service Quality (Reliability, Responsiveness, Assurance, Empathy dan Tangible) sangat mempengaruhi tahap kepuasan pelanggan perhotelan. Antara kelima-lima elemen yang disenaraikan, 'empathy' merupakan elemen utama dalam mempengaruhi kepuasan pelanggan perhotelan. Kajian ini juga akan menyediakan sebuah hala tuju bagi industri perhotelan di Kuching untuk memaksimumkan kepuasan pelanggan. Selain daripada itu, industri perhotelan juga berkaliber untuk membentuk strategi pemasaran yang pragmatik melalui pelbagai segmentasi dalam industri perhotelan.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter introduces the background of the research .It also presents the problem statement, research objectives, and conceptual framework.

1.1 Research Background

Services industry becomes very popular in this competitive edge. This emergence is due to stiffer competition in good-based businesses. According to U.S. Bureau of Economic Analysis, October 1999, services industries have become the main contributor to Gross Domestic Product (GDP) throughout the world. Services based firms can be divided into several industries such as “airlines, banking, insurance enterprises, telecommunications, hotel chains and etc. The hotel services are one of the main players in the services industry and thus it is more fruitful for the tourism and hospitality industry (Lovelock, 2001).

Kuching is much known as a city that possesses multiple unique cultures, ethnics and natural wonders in Malaysia. Because of its truly tropical paradise and fascinating attractions of natural wonders, it had been a one-stop destination for every holiday season for tourists.

Today, Kuching has opened its door to internal and global visitors. This scenario witnessed the growing numbers of international and domestic hotels, which simultaneously flourish the development of the hotel industry in Kuching. At present, there are growing numbers of three, four and five star hotels and other ordinary hotels in Kuching. There are hundreds of hotels operating in Kuching city comprise of Hilton, Merdeka Palace & Suites Kuching, Crowne Plaza, Holiday Inn, Grand Continental, Harbour View Hotel, and many more. Most of the hotels are located in the heart of the Kuching city that provides customers entertainment, dining, shopping and business districts. The hotel provides the accommodation, food and beverage and personal customer services according to the grading standard services (Buttle, 1992). Hotel industries growing in Kuching as this city had positioned itself as a major tourist attractions.

Initially, the hospitality and tourism had been a leading contributor to the Gross Domestic Product (GDP) in the services sector. Knowing that the services industry contributes 55% to the Gross Domestic Product (Anonymous, 2003), private sector also has being actively injected the development of hospitality and tourism industries via investing in the hotel industries and the tourism projects. For instance, the sector had invested RM 8.8 billion for the entire industries projects and developments in the period of 6th Malaysia Planning. This investment

had drawn an increase in the average of accommodation services at 55% in 2000 that then persuade an increase of 107% investment in the 7th Malaysia Planning, at RM 18.8 billion. The GDP Growth Target for Sarawak in the period of 2001-2005 in the 8th Malaysia Planning is diagrammed as followed.

Table 1.1: Sarawak: GDP Growth Target 8MP (2001-2005)

Sectors	2000 (RM million)	2005 (RM million)	2000 (Share %)	2005 (Share %)	2001-2005 (Ave.Gr.pa)
Agriculture & Livestock	890	1537	6.9	7.3	12.5
Forestry & Logging	826	943	6.4	4.5	1.5
Fishery	315	556	2.4	2.6	12.0
Mining & quarrying	3143	3368	22.4	16.0	1.5
Manufacturing	2896	6424	22.5	30.5	17.5
Construction	1022	1788	7.9	8.5	10.0
Services	3782	6432	29.4	30.6	10.3
Total GDP	12874	21048	100	100	10.2

Source: Anonymous. (2003). *Sumbangan Keluaran Negara*. Retrieved 9th September, 2003, from www.statistics.gov.my.

From the diagram above it shows the vision of Malaysia in paying the Sarawak economic focus towards developing the tourism and services industry. Kuching city is a main focus of the Sarawak tourist destination. Concerning this potential

of being the destination of tourists, the hotel industries of Sarawak mainly in Kuching had put its tremendous efforts to maintain the Service Quality Excellency in order to provide a path for retaining the customers. Most of the outstanding companies go out of their way to keep customers satisfied, as the customers are the valuable asset in the services organization. In the services organization like hotel industry, the target profit gained via its customers. The hotel industries are stated providing service standards and product quality according to the grading standard that honored like three stars, four stars and five stars hotel. Customers normally expecting the service standards according to the grading. However, the hotels that graded as three or four stars sometimes offered the excellent service performance as best as the five star hotels. This situation is unexpected sometimes at but it is highly potential to delight and attract customers as this provides them surprise satisfaction.

Therefore, in any services organization required that the customer satisfaction be the main goal rather than profit maximization. This is because the hotel industry practices the customer service in the organization. In order to maintain the business in the long run, this customer satisfaction crucially important in this competitive edge (Lovelock, 2001).

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In conclusion, the hotel industry in Kuching is having promising market, so it is important to strengthen its quality in order to provide customer satisfaction. According to Pizam and Ellis, (1999) the customer satisfaction can be derived from the high service quality performances. This means the higher the service quality performance, the greater the level of customer satisfaction. In this

1.2 Problem Statement

In today's scenario, competition environment had been a basement of business survival. This competition edge created by the various needs and requirements by the customers and thus, they became more demanding. In services context, it had been a greater challenge for the business operators to differentiate their services providence. In order to win the customers, provide superior services turn out to be very crucial (Barrington and Olsen, 1987).

In line with this scenario, there are growing numbers of hotel industries in Kuching city. Furthermore, most of the hotels situated in the heart of the city and some resort oriented. Despite this situation, customers are relatively having many options to switch to their selected hotels upon their preference and comparison among the hotel servers. It is also stated that there is a greater tendency for the customers to switch to the competitors of the previous hotels that visited by the customers if they found that the service offering did not match their expectations. If the customers tend to switch to other competitors and making complaints in the hotel services unquestionably the dissatisfaction is their main reason. What is the main element that influences their satisfaction level? Definitely, the customer satisfaction is not only depending on price of products and services but the service quality.

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However, it is still doubtful about “What really makes up the success and failure of quality services affect the customer satisfaction in the hotel businesses in this competitive edge”. In order to answer this question, the companies need to identify what are the elements that design the quality services. Parasuraman *et al.*, (1985,1988,1991) had constructed a clear conceptual model named as SERVQUAL with its five dimensional elements that related with services businesses and contribute to the Customer Satisfaction. In addition, this research will attempt to identify the important elements that serve to customer satisfaction

and its application in hotel services at Kuching area. These, five dimensional elements comprise of Reliability, Responsiveness Assurances, Empathy and Tangibles. Parasuraman's concept is not found as a universal as it is best applicable to certain services industries (Akan, 1995). Thus, this research had captured the interest in finding the applicability of the five dimensional elements in the hotel services industry in Kuching. Customer satisfaction study can be guidance for the entire hotel services industry to provide the quality services in the area of customers expected more reliability, responsiveness, assurance, empathy and tangibles. The study of factors or elements will analyze the importance of customer satisfaction to be practiced continuously.

Besides, the findings of the research provide a path for the organization to adapt more differentiation strategies in the services of the hotel organization. Thus, this differentiation will ease the firm to feel comfortable in the competition environment. Moreover, the research beneficial for the hotel organizations to move towards a professional way of service providence. The study on the customer satisfaction had provided a clear model for the organization to provide the overall Service Quality Excellency and 100% Customer Satisfaction Guarantee.

1.3 The Research Objectives

This research is mainly identify the important elements that serve to the hotel services industry at Kuching .

1.3.1 Specific Objectives

I) To analyze the following dimensional elements of service quality in the hotel services.

i] Reliability of the services

ii] Responsiveness of the services

iii] Assurance of the services

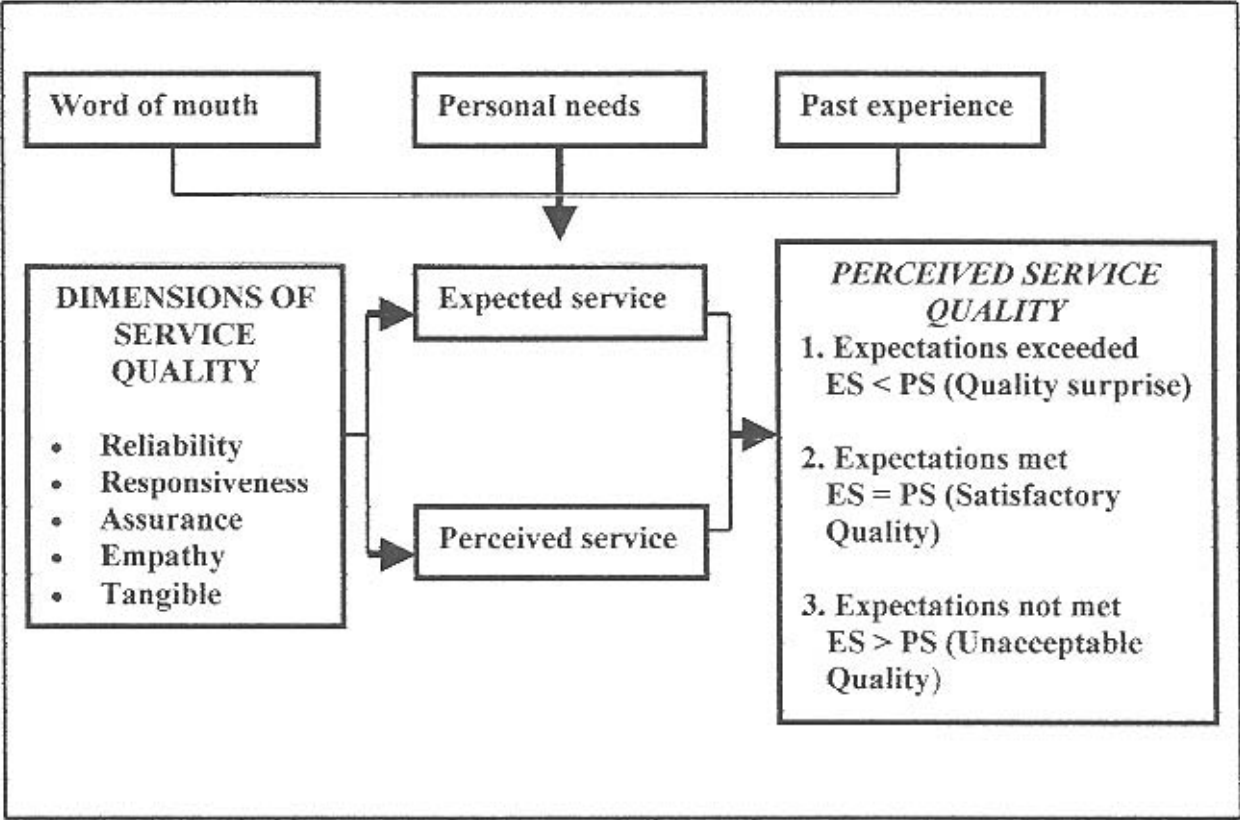
iv] Empathy of the services

v] Tangibles of the services

II) To identify the most significant or dominant element that contribute to the Service Quality Excellency in the hotel industry.

III) To identify the customer's expectations towards the services offered by the hotel that could provide customer satisfaction.

Figure 1.1. The Conceptual Framework: SERVQUAL MODEL



Source: Parasuraman, A., Zeitaml, V. A., & Berry, L. L. (Fall1985). A Conceptual Model of Service Quality and its Implications for Future Research. In Fitzsimmons, J. A., & Fitzsimmons, M. J. (Ed.), (2001). *Service Management: Understanding Service and Service Quality* (pp. 44). Boston: Irwin/McGraw-Hill.